

## Message Text

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ACTION EB-07

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UNCTAD 071

E. O. 11652: N/A

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SUBJ: WORK OF NEGOTIATING GROUP III ON FINANCE AND  
RESOURCE TRANSFER

REF: UNCTAD 050

1. THE FOLLOWING PARAGRAPHS CONTAIN THE TEXTS OR  
RESOLUTION LANGUAGE WHICH GROUP B HAS AGREED ON AND  
SUBMITTED TO NEGOTIATING GROUP III. THEY COVER ALL  
AGENDA ITEMS BUT DEBT. GROUP B POSITIONS ON DEBT STILL  
RANGE WIDELY ON KEY POINTS, PRECLUDING SO FAR AGREE-  
MENT ON A COMMON DEBT TEXT. MEANWHILE, THE GROUP OF 77  
HAS REFUSED TO DISCUSS ANYTHING ELSE UNTIL IT SEES WHAT  
GROUP B PUTS FORWARD ON DEBT AND IS PREPARING A FORMAL  
RESOLUTION OF ITS OWN ON ALL AGENDA POINTS.

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TRANSFER OF RESOURCES

VOLUME OF OFFICIAL DEVELOPMENT ASSISTANCE

URGES ALL DONOR COUNTRIES TO INCREASE EFFECTIVELY THEIR OFFICIAL DEVELOPMENT ASSISTANCE AND TO ATTEMPT TO REACH AS SOON AS POSSIBLE THE TARGET OF 0.7 PERCENT OF GNP SET OUT IN THE INTERNATIONAL DEVELOPMENT STRATEGY FOR THE SECOND UNITED NATIONS DEVELOPMENT DECADE, HAVING IN MIND THE AGREEMENT IN THE FORM IN WHICH IT WAS REACHED AT THE SEVENTH SPECIAL SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY, WHICH INTER ALIA ENVISAGES THE ATTAINMENT OF THIS TARGET BY THE END OF THE DECADE. TO THIS END, THE EFFORTS MADE BY THE DONOR COUNTRIES WILL BE PROPORTIONATELY GREATER WHERE THEY ARE FURTHER FROM REACHING THE TARGET, BEARING IN MIND THAT SOME HAVE ALREADY ACHIEVED IT, OTHERS HAVE PLEDGED THEMSELVES TO REACH IT AT THE LATEST BY THE END OF THE DECADE AND OTHERS AGIN WILL TAKE LONGER TO REACH IT.

THOSE ODA FLOWS SHOULD BE PREDICTABLE, CONTINUOUS AND INCREASINGLY ASSURED AND ALL DONOR COUNTRIES SHOULD ATTEMPT TO PREVENT, AS FAR AS POSSIBLE, THE VOLUME OF THEIR OFFICIAL DEVELOPMENT ASSISTANCE FROM BEING AFFECTED IN FUTURE BY BUDGETARY DIFFICULTIES OR BALANCE OF PAYMENTS PROBLEMS.

THE METHODS TO BE USED TO INCREASE FLOWS OF OFFICIAL DEVELOPMENT ASSISTANCE SHOULD BE DETERMINED BY EACH DONOR COUNTRY, TAKING INTO ACCOUNT ITS INDIVIDUAL INSTITUTIONAL AND BUDGETARY PROCEDURES.

DEFINITION OF AID

INVITES DONOR COUNTIRES JOINTLY TO STUDY, AT AN APPROPRIATE TIME, THE VARIOUS PROPOSALS MADE FOR ALTERING THE DEFINITION OF OFFICIAL DEVELOPMENT ASSISTANCE, AND TO PARTICIPATE IN TH WORK OF THE UNCTAD GROUP OF GOVERNMENTAL EXPERTS ON THE CONCEPTS OF THE PRESENT AID AND FLOW TARGETS WHICH IS TO BE RECONVENED TO STUDY THESE LIMITED OFFICIAL USE

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ISSUES.

TERMS OF AID

URGES ALL DONOR COUNTRIES TO USE THEIR BEST ENDEAVOURS TO IMPROVE THE FINANCIAL TERMS OF THEIR ODA

(I) SO AS TO MAINTAIN OR ACHIEVE, AS SOON AS POSSIBLE,

AN OVER-ALL GRANT ELEMENT OF AT LEAST 84 PER CENT IN THEIR COMMITMENTS; AND TO HAVE THE BEST POSSIBLE GRANT ELEMENT FOR THE LEAST-DEVELOPED COUNTRIES AND OTHER COUNTRIES WHOSE NEEDS ARE THE GREATEST;

(II) SO AS TO ADAPT THE TERMS OF THEIR AID MORE CLOSELY TO THE PARTICULAR CIRCUMSTANCES OF THE RECIPIENT COUNTRIES, INCLUDING THEIR EXTERNAL ECONOMIC AND FINANCIAL SITUATION; AND TO CONTRIBUTE TO THE HARMONIZATION OF AID TERMS OF ALL DONOR COUNTRIES AT THE LEVEL OF EACH RECIPIENT COUNTRY.

#### UNTYING

ODA LOANS SHOULD AS A GENERAL RULE BE UNTIED. MULTILATERAL ARRANGEMENTS SHOULD BE SOUGHT AS FAR AS POSSIBLE FOR RECIPROCAL UNTYING OF SUCH LOANS. ALTERNATIVE ARRANGEMENTS SHOULD ALSO BE SOUGHT TO MITIGATE THE POSSIBLE DISADVANTAGES OF TYING.

#### USE OF RESOURCES

URGES DEVELOPING COUNTRIES TO ENSURE THAT THEIR DOMESTIC POLICIES ARE SUCH AS TO MAXIMIZE THE MOBILIZATION OF DOMESTIC RESOURCES WITH PARTICULAR EMPHASIS ON THE EFFECTIVE USE OF BOTH DOMESTIC AND EXTERNAL RESOURCES AND PROGRAMMES WHICH INCREASE THE PARTICIPATION OF THE POOR MAJORITY, RURAL AS WELL AS URBAN, IN THE SOCIAL AND ECONOMIC BENEFITS OF DEVELOPMENT.

#### FORMS OF AID

ODA SHOULD BE PROVIDED IN FORMS APPROPRIATE TO THE DEVELOPMENTAL NEEDS AND PRIORITIES OF EACH RECIPIENT COUNTRY. LIMITED OFFICIAL USE

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#### THE 1 PER CENT TARGET

THE 0.7 PER CENT ODA TARGET, DISCUSSED IN PARAGRAPH ..., SHOULD BE TREATED AS THE ACTUAL FINANCIAL FLOW TARGET, AND THE 1 PER CENT TARGET (IN THE MEASUREMENT OF WHICH OFFICIAL AND PRIVATE CAPITAL FLOWS ARE INCLUDED) SHOULD BE CONSIDERED PRIMARILY AS A BROAD INDICATOR OF FINANCIAL CO-OPERATION.

#### DISTRIBUTION OF OFFICIAL DEVELOPMENT ASSISTANCE

ALL DONORS SHOULD DISTRIBUTE THEIR ODA RATIONALLY AND EQUITABLY AMONG DEVELOPING COUNTRIES, WITHOUT PREJUDICE TO EXISTING BILATERAL OR MULTILATERAL AGREEMENTS BETWEEN DEVELOPING AND DEVELOPED COUNTRIES, IN SUCH A WAY THAT THOSE

BENEFITING FROM THE INCREASES IN THEIR AID SHOULD BE PRIMARILY THE LEAST DEVELOPED COUNTRIES AND OTHER COUNTRIES WITH THE GREATEST DIFFICULTIES, WHOSE NEEDS HAVE BEEN OBJECTIVELY DEFINED ON THE BASIS OF VARIOUS CRITERIA.

#### MULTILATERAL DEVELOPMENT FINANCE INSTITUTIONS

FLows FROM MULTILATERAL DEVELOPMENT FINANCE INSTITUTIONS TO DEVELOPING COUNTRIES SHOULD INCREASE SUBSTANTIALLY, AND NEGOTIATIONS NOW IN PROGRESS TO INCREASE CONTRIBUTIONS TO THESE INSTITUTIONS BY ALL COUNTRIES IN A POSITION TO DO SO SHOULD BE BROUGHT TO AN EARLY AND SUCCESSFUL CONCLUSION. IN PARTICULAR:

(A) THE PRIORITY GIVEN TO THE FIFTH REPLENISHMENT OF THE IDA SHOULD PROVIDE A SUBSTANTIAL INCREASE IN ITS RESOURCES AND NEGOTIATIONS SHOULD BE COMPLETED IN TIME TO ENSURE CONTINUITY OF ITS OPERATIONS;

(B) THE RESOURCES OF THE REGIONAL LENDING INSTITUTIONS SHOULD BE ADEQUATELY INCREASED;

(C) CONTRIBUTIONS SHOULD BE MADE TO ATTAIN THE ORIGINAL DOLs 1 BILLION TARGET FOR THE THIRD WINDOW BY ALL COUNTRIES IN A POSITION TO DO SO, WITHOUT PREJUDICE HOWEVER, TO THE OTHER PROGRAMMES OF THE WORLD BANK GROUP OR THE REGIONAL INSTITUTIONS;  
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(D) ALL COUNTRIES IN A POSITION TO CONTRIBUTE TO IFAD SHOULD DO SO, IN ORDER TO ACHIEVE THE MINIMUM TARGET OF DOLs 1 BILLION REQUIRED TO OPEN THE IFAD CONVENTION FOR SIGNATURE, BEARING IN MIND THAT THE BACKGROUND AND UNDERLYING STRUCTURE OF IFAD PROVIDES FOR ROUGH PARITY BETWEEN THE AGGREGATE CONTRIBUTIONS OF THE TWO DONOR CATEGORIES OF IFAD.  
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ACTION EB-07

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ACCESS TO PRIVATE MARKETS

1. NOTES THAT PRIVATE CAPITAL FLOWS, INCLUDING THOSE FROM THE EURO-CURRENCY MARKET, ARE PLAYING AND MUST CONTINUE TO PLAY A SUBSTANTIAL ROLE IN HELPING DEVELOPING COUNTRIES TO MET THEIR OVERALL CAPITAL NEEDS FOR DEVELOPMENT;

2. WELCOMES THE WORK OF THE JOINT MINISTERIAL COMMITTEE OF THE BOARDS OF GOVERNORS OF THE BANK AND FUND ON TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES (DEVELOPMENT COMMITTEE) AND ITS WORKING GROUP OF GOVERNMENT REPRESENTATIVES IN REVIEWING CONSTRAINTS AFFECTING ACCESS TO CAPITAL MARKETS AND IN STUDYING FURTHER PROPOSALS TO SUPPORT ACCESS TO CAPITAL MARKETS;

3. NOTES THE BILATERAL CONSULTATIONS CURRENTLY BEING CARRIED OUT BY THE DEVELOPMENT COMMITTEE SECRETARIAT WITH BOTH CAPITAL MARKET COUNTRIES AND DEVELOPING COUNTRIES ON REGULATIONS, LIMITED OFFICIAL USE

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PRACTICES, AND MARKET CONDITIONS AFFECTING DEVELOPING COUNTRY ACCESS;

4. URGES CAPITAL MARKET COUNTRIES TO ADOPT SPECIFIC ACTIONS TO FACILITATE ACCESS TO EXTENT THAT THE SITUATION IN EACH SUCH COUNTRY PERMITS, INCLUDING TECHNICAL ASSISTANCE TO DEVELOPING COUNTRIES SEEKING ACCESS;

5. ENCOURAGES THE DEVELOPMENT COMMITTEE TO COMPLETE ITS STUDY OF MEASURES WHICH MIGHT HELP CAPITAL MARKETS TO CONTINUE TO EVOLVE IN DIRECTIONS RELEVANT TO THE NEEDS OF DEVELOPING COUNTRIES, INCLUDING:

(A) LIBERALIZATION OF STATUTORY AND OTHER PROVISIONS LIMITING ACCESS TO DOMESTIC MARKETS OF CAPITAL MARKET COUNTRIES;

(B) IMPROVEMENT OF DEVELOPING COUNTRIES' PRACTICES, REGULATIONS AND INSTITUTIONS RELATED TO THEIR DOMESTIC CAPITAL MARKETS AND THE MOBILIZATION OF DOMESTIC SAVINGS;

(C) INCREASES IN TECHNICAL HELP TO DEVELOPING COUNTRIES ENTERING INTERNATIONAL CAPITAL MARKETS;

(D) EXPANSION OF CO-FINANCING ARRANGEMENTS UNDER WHICH PRIVATE INVESTORS FINANCE A PORTION OF PROJECT LENDING BY INTERNATIONAL DEVELOPMENT LENDING INSTITUTIONS;

(E) POSSIBLE CREATION OF AN INTERNATIONAL INVESTMENT TRUST.

MEASURES TO IMPROVE THE INTERNATIONAL FINANCIAL AN MONETARY SITUATION (III AND IV)

TEXT SUBMITTED BY GROUP B

1. NOTES WITH CONCERN THAT RECENT INTERNATIONAL ECONOMIC EVENTS HAVE GENERATED UNPRECEDENTED PAYMENTS DEFICITS IN BOTH DEVELOPING AND DEVELOPED COUNTRIES AND HAVE CONSEQUENTLY JEOPARDIZED DEVELOPMENT PROSPECTS OF MANY DEVELOPING COUNTRIES.

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2. WELCOMES THE AGREEMENT THAT HAS BEEN REACHED BY ALL MEMBER COUNTRIES OF THE IMF ON REFORMS IN THE MONETARY SYSTEM AND IS CONFIDENT THAT THIS WILL STRENGTHEN THE CENTRAL ROLE OF THE IMF IN THE FUNCTIONING OF THE INTERNATIONAL MONETARY SYSTEM TO THE BENEFIT OF BOTH DEVELOPING AND DEVELOPED COUNTRIES ALIKE.

3. WELCOMES THE RECENT ACTIONS OF THE IMF, EXPANDING ITS REGULAR DRAWING FACILITIES, EXPANDING AND IMPROVING CONSIDERABLY ITS COMPENSATORY FINANCING FACILITY AND ESTABLISHING A TRUST FUND TO PROVIDE HIGHLY CONCESSIONAL BALANCE OF PAYMENTS ASSISTANCE FOR THE POORER DEVELOPING NATIONS.

4. RECALLS THE ESTABLISHMENT OF AN EXTENDED FUND FACILITY BY THE IMF WHICH ASSISTS PARTICULARLY DEVELOPING COUNTRIES TO

COPE WITH THEIR BALANCE OF PAYMENTS DIFFICULTIES OF STRUCTURAL NATURE.

5. ENCLURAGES THE IMF TO FOLLOW CLOSELY THE EFFECTS OF THE IMPLENENTATION OF ALL THESE DECISIONS WHCCH HAVE SUBSTANTIALY ENHANCED THE ACCESS OF DEVELOPING NATIONS TO IMF FACILITIES.

6. STRESSES THA IMPORTANCE OF DECISIONS ON THE INTERNATIONAL MONETARY SYSTEM CONTINUING TO BE TAKEN WITH THE EFFECTIVE PARTICIPATION OF DEVELOPING COUNTRIES.

7. NOTES THAT THE RECENT DECISION OF THE IMF WITH RESPECT TO QUOTA INCREASES OF ITS MEMBERS HAS RESPONDED IN PARTICULAR TO THE EMERGENCE OF NEW ECONOMIC INFLUENCE ON THE PART OF CERTAIN DEVELOPING COUNTRIES INCREASING BY THIS THEIR PARTICIPATION IN THE DECISION-MAKING PROCESS ON THE INTERNATIONAL MONETARY SYSTEM, WHILE RETAINING THE RELATIVE POSITION OF THE OTHER DEVELOPING COUNTRIES.

8. STRESSES THE IMPORTANCE OF TAKING INTO ACCOUNT THE CLOSE INTER-RELATIONSHIP OF THE INTERNATIONAL FINANCIAL, MONETARY AND TRADE SYSTEMS.

9. HOPES THE IMF WILL AS IT IMPLEMENTS ITS AMENDED ARTICLES OF AGREEMENT KEEP IN MIND, WITHIN ITS MONETARY RESPONSIBILITIES, HOW ITS DECISIONS MAY MEET THE DIFFERING REQUIREMENTS OF ALL LIMITED OFFICIAL USE

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ITS MEMBERS.

10. NOTES THE IMPORTANCE FOR THA INTERNATIONAL COMMUNITY OF THE OBJECTIVES OF PROMOTING BETTER INTERNATIONAL SURVEILLANCE OF INTERNATIONAL LIQUIDITY AND OF MAKING THE SDR THE PRINCIPAL RESERVE ASSET IN THE INTERNATIONAL MONETARY SYSTEM, TAKING INTO ACCOUNT THE PROPOSED AMENDMENTS OF THE IMF ARTICLES OF AGREEMENT.

11. RECALLS THAT ACCORDING TO GENERAL ASSEMBLY RESOLUTION NO. 3362 THE ESTABLISHMENT OF A LINK BETWEEN THE SPECIAL DRAWING RIGHTS AND DEVELOPMENT ASSISTANCE SHOULD FORM PART OF THE CONSIDERATION BY THE IMF OF THE CREATION OF NEW SPECIAL DRAWING RIGHTS AS AND WHEN THEY ARE CREATED ACCORDING TO THE NEEDS OF INTERNATIONAL LIQUIDITY.

12. RECOGNIZES THAT EXCHANGE RATE SYSTEMS SHOULD PERMIT ORDERLY EXCHANGE RATE ARRANGEMENTS AND EXCHANGE RATE STABILITY, BASED ON THE ACHNEVEMENT OF UNDERLYING ECONOMIC STABILITY AND NOTES WITH INTEREST IN THIS CONTEXT THE NEW EXCHANGE RATE REGIME LAID DOWN IN THE PROPOSED NEW ARTICLE OF AGREEMENT OF THE IMF.  
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